

# FISCAL NOTE

**Bill #:** SB0135

**Title:** Eliminate classes of property and tax at market value

**Primary**

**Sponsor:** Mike Sprague

**Status:** As Introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2000 Difference</u></b>	<b><u>FY2001 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$49,967	
<b>Revenue:</b>		
General Fund		\$3,120,000
State Special Revenue		\$196,800
<b>Net Impact on General Fund Balance:</b>	<b>(\$49,967)</b>	<b>\$3,120,000</b>

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

## Fiscal Analysis

### ASSUMPTIONS:

1. Due to the proposal, property taxes paid and the assessed valuation of land currently defined as non-qualified agricultural land will increase 7 times that of current law (Section 1, 8(b) of the proposal)(see technical notes). Taxes paid will increase from an estimated \$1,937,700 to \$13,563,900.
2. For the purposes of this fiscal note, it is assumed that vote for increased taxes (per CI-75) is successful.
3. It is estimated that the increase in assessed value will increase property tax revenues \$3,120,000 for the General Fund, \$196,800 for University, and \$8,309,400 for local governments.
4. The proposal is effective January 1, 2000. The increase in property tax revenues will begin in FY01.
5. It is estimated that there are 10,000 taxpayers that own non-qualified agricultural land. These taxpayers must receive new assessment notices due to a re-valuation of their land.
6. Each assessment notice cost \$0.0496. The notices will be mailed in FY2000.

(continued)

**Secretary of State**

7. For purposes of CI-75 and submitting SB 135 to the electorate, this issue is only one of many likely to be submitted. Therefore, the impact presented in the fiscal note is only for the “extra” (marginal) cost which would be incurred by the state in preparing a Voter Information Packet (VIP) for the specific issue contained in the proposed bill. The VIP circulation is 525,000.
8. SB 135 will require at least eight pages of explanation to be printed in the VIP at .00236 cents per page for a total cost of \$9,912. (8 x .00236 x 525,000)
9. Although counties also will incur a cost for distribution of the VIP, funding will be distributed to the counties by the Secretary of State for this purpose. County cost is .008356 per page for a total of cost of \$35,095. (8 x .008356 x 525,000)
10. Although the Secretary of State does not have a general fund budget, the cost of submitting these issues to the electorate will be supported with general fund.

**FISCAL IMPACT:**

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
<b>Department of Revenue</b>		
<u>Expenditures:</u>		
Operating Expenses	\$4,960	
<b>Secretary of State</b>		
<u>Expenditures:</u>		
Operating Expenses	9,912	
Transfer to Counties	<u>35,095</u>	
TOTAL	\$45,007	
<u>Funding:</u>		
General Fund (01)	\$49,967	
<u>Revenues:</u>		
General Fund (01)		\$3,120,000
State Special Revenue (02)		\$196,800
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(\$49,967)	\$3,120,000
State Special Revenue (02)		\$196,800

**EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:**

1. Due to the increase in the valuation of non-qualified agricultural land, it is estimated that property tax revenues for local governments will increase \$8,309,400 in FY01.
2. CI -75: For SB 135 the mailing costs of the VIP and the extra item on the ballot would be marginal costs. Assuming eight pages for this issue at .008356 per page distributed to 525,000 addresses, counties would incur a cost of \$35,095 in FY 2000 . See the third assumption of Secretary of State.

**TECHNICAL NOTES:**

(continued)

1. Section 1, 8(b) of the proposal refers to productive capacity of grazing land. It should be the productive capacity *value* of grazing land. Under the proposal, the assessed valuation of land currently defined as non-qualified agricultural land will increase to be 7 times that of productive capacity value of grazing land, at the average grade of grazing land. This conflicts with 15-6-133 (3) where current statute values non-qualified agricultural land at the productive capacity value of grazing land.
2. The taxable rate applied to non-qualified agricultural land was not reduced to off-set the increase in assessed value caused by the proposal

TECHNICAL NOTES in consideration of CI-75

1. The costs presented for the HB XX ballot issue will be included in a comprehensive analysis of the planned electorate vote(s) prior to the end of the session, based on all ballot issues adopted by the 56<sup>th</sup> Legislative Assembly.
2. When considering the comprehensive costs of an electorate vote, any costs greater than \$194,203 which are distributed to the counties must be funded by the Legislature (1-2-112, MCA).
3. For FY 2000, a statewide election would have a base cost of \$690,000 for the counties and \$46,987 for the state for total general fund of \$736,987. General fund will be appropriated in HB2 to the Secretary of State for this statewide base cost and all the cumulative per-ballot-issue marginal costs at the end of the session.
4. In FY 2001, a tax election would be combined with a general election and would, therefore, require only marginal costs for ballot issues.

LONG-RANGE IMPACTS:

Property tax revenues increases for FY02 and beyond will be at FY01 levels.